

Appendix VIII Test 7

Working Hard Inc

Schedules to be tested within Form 20C:

Schedule A

Schedule D-1

Other Information

Required Attachments:

AL8453C.PDF

Federal1120.PDF

Federal7004.PDF

ALABAMA DEPARTMENT OF REVENUE
Corporation Income Tax ReturnCY ☒
FY ☐
SY ☐

2005

For the year January 1 – December 31, 2005, or other tax year beginning January 1, 2005, ending December 31, 2005

Check applicable box: <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Address change	FEDERAL BUSINESS CODE NUMBER ▶ 541511		FEDERAL EMPLOYER IDENTIFICATION NUMBER ▶ 11-0000007	
	NAME ▶ WORKING HARD INC			
	ADDRESS ▶ 37 ANY STREET			
	CITY, STATE, COUNTRY (IF NOT U.S.) ▶ ANYTOWN NC		9-DIGIT ZIP CODE ▶ 28041-0280	
	STATE OF INCORPORATION ▶ DELAWARE	DATE OF INCORPORATION ▶ 04/05/1984	DATE QUALIFIED IN ALABAMA ▶ 08/09/1994	NATURE OF BUSINESS IN ALABAMA COMPUTER SOFTWARE
	Check Applicable: <input type="checkbox"/> This company files as part of a consolidated federal return. Common parent corporation: (See page 4, "Other Information," item 5.)			
	▶ Name		▶ FEIN	
	<input type="checkbox"/> Notification of Final IRS change		<input type="checkbox"/> Federal Form 1120-REIT filed	

Filing Status: (see instructions)

☐ 1. Corporation operating only in Alabama.

☒ 2. Multistate Corporation – Apportionment (Sch. D-1).

☐ 3. Multistate Corporation – Percentage of Sales (Sch. D-2).

☐ 4. Multistate Corporation – Separate Accounting (Prior written approval required and must be attached).

☐ 5. Alabama Consolidated Return. (Caution: see instructions)

ATTACH CHECK OR MONEY ORDER HERE

1	FEDERAL TAXABLE INCOME (see instructions)	1	-8,073,003
2	Federal Net Operating Loss (included in line 1)	2	
3	Reconciliation adjustments (from line 25, Schedule A)	3	37,905,537
4	Federal taxable income adjusted to Alabama Basis (add lines 1, 2 and 3)	4	29,832,534
5	Net nonbusiness (income)/loss – Everywhere (from Schedule C, line 2, col. E)	5	
6	Apportionable income (add lines 4 and 5)	6	29,832,534
7	Alabama apportionment factor (from line 26, Schedule D-1)	7	0.0528 %
8	Income apportioned to Alabama (multiply line 6 by line 7)	8	15,752
9	Net nonbusiness income/(loss) – Alabama (from Schedule C, line 2, col. F)	9	
10	Alabama income before federal income tax deduction (line 8 plus line 9)	10	15,752
11	Federal income tax deduction/(refund) (from line 7, Schedule E)	11	
12	Alabama income before net operating loss (NOL) carryforward (line 10 less line 11)	12	15,752
13	Alabama NOL deduction (see instructions)	13	
14	Alabama taxable income (line 12 less line 13)	14	15752.
15	Alabama Income Tax:	CN	
a	Income Tax (6.5% of line 14 or Schedule D-2, line 4)	15a	1,024
b	Consolidated Filing Fee (Schedule G)	15b	
c	Total Tax (add lines 15a and 15b)	15c	1,024
16	Tax Payments, Credits, and Deferral:		
a	Carryover from prior year (2004)	16a	29,179
b	2005 estimated tax payments	16b	
c	2005 composite payment(s) made on behalf of this entity (see instructions)	16c	
	Paid by _____ FEIN _____		
d	Payments made with extension (Form 20E)	16d	
e	Payments prior to adjustment	16e	
f	Credits (from line 7, Schedule F)	16f	
g	LIFO Reserve Tax Deferral (see instructions)	16g	
h	Total Payments, Credits, and Deferral (add lines 16a through 16g)	16h	29,179
17	Reductions/applications of overpayments		
a	Credit to 2006 estimated tax	17a	28,392
b	Penny Trust Fund	17b	
c	Penalty due (see instructions)	17c	
d	Interest due (computed on tax due only)	17d	
e	Total reductions (total lines 17a, b, c and d)	17e	28,392
18	Total amount due/(refund) (line 15c less 16h, plus 17e)	18	237
19	Enter amount of check or money order attached to this return (enter zero if paid by EFT, E-check or credit card)	19	0

a Indicate payment type: ☒ EFT ☐ E-check ☐ Credit Card ☐ Check or money order attached

UNLESS A COPY OF THE
FEDERAL RETURN IS
ATTACHED, THIS RETURN
WILL BE CONSIDERED
INCOMPLETE. (SEE ALSO
PAGE 4, OTHER
INFORMATION, NO. 5.)Please
Sign
Here☒ I authorize a representative of the Department of Revenue to discuss my return and attachments with my preparer.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Donald Williamson

TREASURER

▶ 09/14/2006 (280) 205-5524

Signature

Title

Date

Daytime Telephone No.

Paid
Preparer's
Use OnlyPreparer's
signature

Thomas Smith

Date

09/14/2006

Check if
self-employed☐

Preparer's Social Security Number

314 96 5848

Firm's name (or yours,
if self-employed)
and address

CPA FIRM

Tel. No. (280) 212-6000

E.I. No. ▶ 43-6955656

137 WEST MAIN STREET, ANYTOWN NC

ZIP Code ▶ 28041

Reconciliation Adjustments of Federal Taxable Income to Alabama Taxable Income

ADDITIONS

1	State and local income taxes	1	166,461	
2	Federal exempt interest income (other than Alabama) on state, county and municipal obligations (everywhere)	2		
3	Dividends from corporations in which the taxpayer owns less than 20 percent of stock to the extent properly deducted on federal income tax return (see instructions)	3	15,396,347	
4	Federal depreciation on pollution control items previously deducted for Alabama (see instructions – Note: for equipment placed in service during taxable years beginning prior to 1/1/2001)	4		
5	Net income from foreclosure property pursuant to §10-13-21 (real estate investment trust)	5	22,342,729	
6	Related members interest or intangible expenses or costs. From Schedule AB (see instructions)			
	Total Payments 6a <input type="text"/> <input type="text"/> minus Exempt Amount 6b <input type="text"/> <input type="text"/> equals	6c		
7		7		
8		8		
9	Total additions (add lines 1 through 8)	9	37,905,537	

10	Refunds of state and local income taxes (due to overpayment or over accrual on the federal return)	10		
11	Interest income earned on direct obligations of the United States	11		
12	Interest income earned on obligations of Alabama or its subdivisions or instrumentalities to extent included in federal income tax return (see instructions)	12		
13	Interest income earned on obligations issued prior to 12/31/1994 of this state or its subdivisions or instrumentalities pursuant to §40-9B-7, to extent included in federal income tax return	13		
14	Aid or assistance provided to the Alabama State Industrial Development Authority pursuant to §41-10-44.8(d)	14		
15	Expenses not deductible on federal income tax return due to election to claim a federal tax credit	15		
16	Dividends described in 26 U.S.C. §78 from corporations in which taxpayer owns more than 20% of stock (see instructions)	16		
17	Dividend income – more than 20% stock ownership (including that described in 26 U.S.C. §951) from non-U.S. corporations to extent dividend income would be deductible under 26 U.S.C. §243 if received from domestic corporations.	17		
18	Dividends received from foreign sales corporations as determined in U.S.C. §922 (see instructions)	18		
19	Interest portion of rent paid under lease agreements entered into prior to January 1, 1995, relating to obligations of this state and its subdivisions pursuant to §40-9B-7(c) through (e) (see instructions)	19		
20	Amount of the oil/gas depletion allowance provided by §40-18-16 that exceeds the federal allowance (see instructions)	20		
21	_____	21		
22	_____	22		
23	_____	23		
24	Total deductions (add lines 10 through 23) ►	24		
25	TOTAL RECONCILIATION ADJUSTMENTS (subtract line 24 from line 9 above) Enter here and on line 3, page 1 (enclose a negative amount in parentheses) ►	25	37,905,537	

Alabama Net Operating Loss Carryforward Calculation (§40-18-35.1, Code of Alabama 1975)

Column 1	Column 2	Column 3	Column 4	Column 5
Year of loss	Amount of Alabama net operating loss	Amount used in years prior to this year	Amount used this year	Remaining unused net operating loss
Alabama net operating loss (enter here and on line 13, page 1).				

Schedule C**Allocation of Nonbusiness Income, Loss, and Expense – Use only if you checked Filing Status 2, page 1**

Identify by account name and amount, all items of nonbusiness income, loss and expense removed from apportionable income and those items which are directly allocable to Alabama. **Adjustment(s) must also be made for any proration of expenses under Alabama Income Tax Rule 810-27-1-4-.01**, which states, "Any allowable deduction that is applicable to both business and nonbusiness income of the taxpayer shall be prorated to each class of income in determining income subject to tax as provided..." (See instructions.)

DIRECTLY ALLOCABLE ITEMS OF NONBUSINESS INCOME OR LOSS	ALLOCABLE GROSS INCOME / LOSS		RELATED EXPENSE		NET OF RELATED EXPENSE	
	Column A Everywhere	Column B Alabama	Column C Everywhere	Column D Alabama	Column E Everywhere	Column F Alabama
1a						
b						
c						
d						
e						
2 NET NONBUSINESS INCOME / LOSS					Column E	Column F
Enter Column E total ((income)/(loss)) on line 5 of page 1. Enter Column F total ((income)/(loss)) on line 9 of page 1						

Schedule D-1**Apportionment Factor – Use only if you checked Filing Status 2, page 1**

TANGIBLE PROPERTY AT COST FOR PRODUCTION OF BUSINESS INCOME	ALABAMA		EVERYWHERE	
	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR
1 Inventories				
2 Land				
3 Furniture and fixtures				
4 Machinery and equipment	7,669	7,049	35,185,666	50,748,679
5 Buildings and leasehold improvements				
6 IDB/IRB property (at cost)				
7 Government property (at FMV)				
8				
9 Less Construction in progress (if included)				
10 Totals	7,669	7,049	35,185,666	50,748,679
11 Average owned property (BOY + EOY ÷ 2)		7,359		42,967,173.00
12 Annual rental expense	x8 =		12,757,259 x8 =	102,058,072
13 Total average property (add line 11 and line 12)	13a	7,359	13b	145,025,245
14 Alabama property factor — 13a ÷ 13b = line 14			14	0.0050 %
SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION RELATED TO THE PRODUCTION OF BUSINESS INCOME		15a ALABAMA	15b EVERYWHERE	15c
15 Alabama payroll factor — 15a ÷ 15b = line 15c		180,305	174,464,026	0.0010 %
SALES		ALABAMA	EVERYWHERE	
16 Destination sales (see instructions)				
17 Origin sales (see instructions)				
18 Total gross receipts from sales				
19 Dividends				
20 Interest				
21 Rents				
22 Royalties				
23 Gross proceeds from capital and ordinary gains				
24 Other STATEMENT 1 (Federal 1120, line 3)		249,519	498,025,132	
25 Alabama sales factor — 25a ÷ 25b = line 25c	25a	249,519	25b	498,025,132
26 Sum of lines 14, 15c, and 25c ÷ 3 = ALABAMA APPORTIONMENT FACTOR (Enter here and on line 7, page 1)			26	0.0528 %

Schedule D-2**Percentage of Sales – Use only if you checked Filing Status 3, page 1 – See instructions**

DO NOT USE THIS SCHEDULE IF ALABAMA SALES EXCEED \$100,000.

	ALABAMA	EVERYWHERE
1 Destination Sales		
2 Origin Sales		
3 Total gross receipts from sales		
4 Tax due (multiply line 3, Alabama by .0025) (enter here and on page 1, line 15a)		

Schedule E**Federal Income Tax (FIT) Deduction/(Refund)**

- (a) If this corporation is an accrual-basis taxpayer and files a separate (nonconsolidated) federal income tax return with the IRS, enter on line 1 below the amount of federal income tax liability shown on Form 1120. Cash-basis taxpayers filing separate (nonconsolidated) federal returns should enter on line 1 below the amount of federal income tax actually paid during the year.

- (b) If this corporation is a member of an affiliated group which files a

consolidated federal return, indicate the number of the election made under IRC §1552.

☐ 1552(a)(1) ☐ 1552(a)(2) ☐ 1552(a)(3)

☒ No Election Made ☐ Other _____

Attach a copy of the common parent corporation's current 1552 election letter.

Enter on line 1 the amount of the consolidated tax liability allocated to this corporation under the method indicated above. Ignore any supplemental elections under IRC §1502. **Attach a schedule of your computations.**

1	Federal income tax deduction to be apportioned.....▶	1	
2	Alabama income before FIT deduction (from line 10, page 1)	2	12,108
3	Federal taxable income adjusted to Alabama basis (from line 4, page 1)	3	22,914,579
4	Federal income tax apportionment factor (line 2 divided by line 3)	4	0.0528 %
5	Federal income tax deduction apportioned to Alabama (multiply line 1 by line 4)	5	
6	Refund of federal income tax deducted in prior year(s) (see instructions)	6	
7	NET FEDERAL INCOME TAX DEDUCTION / (REFUND) (subtract line 6 from line 5). Enter here and on line 11, page 1	7	

Schedule F**Credits/Exemptions Caution – See Instructions**

1	Alabama Enterprise Zone Credit/Exemptions	1	
2	Employer Education Credit	2	
3	Income Tax Credit	3	
4	Tax Increment Fund Payment Credit	4	
5	Coal Tax Credit	5	
6	Capital Tax Credit (Project Number(s) _____, _____)	6	
7	TOTAL (add lines 1 through 6). Enter here and on line 16f, page 1	7	

Schedule G**Consolidated Filing Fee**

Complete this schedule if the corporation has elected to file a consolidated return for Alabama. The election is made by filing Form 20C-CRE on or before the due date of the return, including extensions, for the first taxable year for which the election is made.

For tax periods beginning after December 31, 1998, an Alabama affiliated group may elect to file an Alabama consolidated return. Refer to §40-18-39(c)(1), **Code of Alabama 1975**. (See instructions.)

Total Assets of Affiliated Group	Annual Fee
\$0 to \$2,500,000	\$5,000
\$2,500,001 to \$5,000,000	\$10,000
\$5,000,001 to \$7,500,000	\$15,000
\$7,500,001 to \$10,000,000	\$20,000
\$10,000,001 and over	\$25,000

Consolidated Filing Fee. (Enter here and on Line 15b, page 1) _____

(Note: Total assets are those assets indicated on page one of the Federal Form 1120.)

If income from a taxpayer was reported on this return and an Alabama business privilege tax return was filed for the taxpayer under a FEIN different from the one listed on this return, please enter the name and FEIN reported on the Alabama business privilege tax return for each such taxpayer (attach listings as needed):

Name	FEIN

Mail to: Alabama Department of Revenue
Individual and Corporate Tax Division
Corporate Tax Section
PO Box 327430
Montgomery, AL 36132-7430

Other Information

1. Briefly describe your Alabama operations. COMPUTER SOFTWARE

2. List locations of property within Alabama (cities and counties).

BIRMINGHAM

3. List other states in which corporation operates, if applicable. NC

4. Indicate your tax accounting method:

☒ Accrual ☐ Cash ☐ Other _____

5. If this corporation is a member of an affiliated group which files a consolidated federal return, the following information **must be provided**:

(a) **Copy of Federal Form 851, Affiliations Schedule.** Identify by asterisk or underline the names of those corporations subject to tax in Alabama.

(b) **Copy of the spreadsheet of the income statements** for EVERY corporation in the consolidated group.

(c) **Copy of consolidated Federal Form 1120, pages 1-4**, as filed with the IRS.

6. Enter this corporation's federal net income (see instructions for page 1, line 1) for the last three (3) years, as last determined (e.g.: per amended federal return or IRS audit).

2004 10,797,706 2003 65,421,456 2002 23,958,292

7. Are you currently being audited by the IRS? ☐ Yes ☒ No

8. Location of the corporate records:

Street address: 37 ANY STREET

City: ANYTOWN State: NC ZIP: 28041

8. Person to contact for information concerning this return:

Name: THOMAS G. SMITH

Telephone: (280) 212-6000

FORM
AL8453-C

ALABAMA DEPARTMENT OF REVENUE
INDIVIDUAL & CORPORATE TAX DIVISION

2005

Corporate Income Tax Declaration for Electronic Filing

To be filed electronically with the corporation's tax return. Do not send paper copies.

For calendar year 2005, or tax year beginning 01/01, 2005, ending 12/31, 2005

NAME OF CORPORATION WORKING HARD INC	FEDERAL EMPLOYER IDENTIFICATION NUMBER 110000007
ADDRESS OF CORPORATION 37 ANY STREET	TELEPHONE NUMBER
ANYTOWN, NC 28041-0280	(280) 205-5524

PART I Tax Return Information (Whole Dollars Only)

1 Alabama taxable income (Form 20C, line 14)	1	15,752
2 Total tax liability (Form 20C, line 15c)	2	1,024
3 Total payments and credits (Form 20C, line 16h)	3	29,179
4 Refund (negative number reported on Form 20C, line 18)	4	0
5 Amount you owe (positive number reported on Form 20C, line 18)	5	237
6 Amount of payment remitted electronically	6	237

PART II Declaration of Officer (Sign only after Part I is completed.)

Under penalties of perjury, I declare that I am an officer of the above corporation and that the information I have given my electronic return originator (ERO), transmitter, and/or intermediate service provider (ISP) and the amounts in Part I above agree with the amounts on the corresponding lines of the corporation's 2005 Alabama corporate income tax return. To the best of my knowledge and belief, the corporation's return is true, correct, and complete. I consent to my ERO, transmitter, and/or ISP sending the corporation's return, this declaration, and accompanying schedules and statements to the Alabama Department of Revenue. I also consent to the Alabama Department of Revenue sending my ERO, transmitter, and/or ISP an acknowledgment of receipt of transmission and an indication of whether or not the corporation's return is accepted, and, if rejected, the reason(s) for the rejection.

☒ I authorize a representative of the Department of Revenue to discuss my return and attachments with my preparer.

Sign Here	▶ <u>Donald Williamson</u>	Date	09/14/2006	▶	TRES

PART III Declaration of Electronic Return Originator (ERO) and Paid Preparer (See Instructions)

I declare that I have reviewed the above corporation's return and that the entries on Form AL8453-C are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The corporate officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the Alabama Department of Revenue, and have followed all other requirements in Pub. 3112, IRS e-file Application and Participation, and Pub. 4163, Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S and Pub. AL4164 Software Developers and Transmitters Guidelines and Schemas for Alabama Corporate Income Tax Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above corporation's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

ERO's Use Only	ERO's signature ▶ <u>Thomas Smith</u>	Date	9/14/2006	Check if also paid preparer <input checked="" type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN
	Firm's name (or yours if self-employed), address and ZIP code	CPA FIRM 137 WEST MAIN STREET, ANYTOWN, NC 28041			EIN	436955666
				Phone No. (280)	212-8000	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only	Preparer's signature ▶ <u>Thomas Smith</u>	Date	9/14/2006	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN	
	Firm's name (or yours if self-employed), address and ZIP code	CPA FIRM 137 WEST MAIN STREET, ANYTOWN, NC 28041			EIN	436955666
				Phone No. (280)	212-6000	

1120Form
Department of the Treasury
Internal Revenue Service**U.S. Corporation Income Tax Return**

OMB No. 1545-0123

For calendar year 2005 or tax year beginning _____, 2005, ending _____, 20____
▶ See separate instructions.**2005****A Check if:**

- 1 Consolidated return (attach Form 851) ☐
- 2 Personal holding co. (attach Sch. PH) ☐
- 3 Personal service corp. (see instructions) ☐
- 4 Schedule M-3 required (attach Sch. M-3) ☐

Use IRS label. Otherwise, print or type.

Name

WORKING HARD INCORPORATED

Number, street, and room or suite no. If a P.O. box, see instructions.

37 ANY STREET

City or town, state, and ZIP code

ANYTOWN, NC 28041-0280**B Employer identification number****11-0000007****C Date incorporated****04/05/1984****D Total assets (see instructions)**\$ **583895287****E Check if:** (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a Gross receipts or sales	498025132	b Less returns and allowances		c Bal	1c	498025132
	2 Cost of goods sold (Schedule A, line 8)					2	421489499
	3 Gross profit. Subtract line 2 from line 1c					3	76535633
	4 Dividends (Schedule C, line 19)					4	15396347
	5 Interest					5	466580
	6 Gross rents					6	316065
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9	-530606
	10 Other income (see instructions—attach schedule)					10	318156
	11 Total income. Add lines 3 through 10					11	92502175
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)					12	
	13 Salaries and wages (less employment credits)					13	
	14 Repairs and maintenance					14	961544
	15 Bad debts					15	
	16 Rents					16	12757258
	17 Taxes and licenses					17	968671
	18 Interest					18	22496827
	19 Charitable contributions (see instructions for 10% limitation)					19	
	20a Depreciation (attach Form 4562)	20a	9029904			20c	9029904
	b Less depreciation claimed on Schedule A and elsewhere on return	20b				20c	
	21 Depletion					21	
	22 Advertising					22	
	23 Pension, profit-sharing, etc., plans					23	
	24 Employee benefit programs					24	4116916
	25 Domestic production activities deduction (attach Form 8903)					25	
	26 Other deductions (attach schedule)					26	34847711
	27 Total deductions. Add lines 12 through 26					27	85178831
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	7323344
29 Less: a Net operating loss deduction (see instructions)	29a				29c	15396347	
b Special deductions (Schedule C, line 20)	29b	15396347			29c		
30 Taxable income. Subtract line 29c from line 28 (see instructions if Schedule C, line 12, was completed)					30	-8073003	
31 Total tax (Schedule J, line 11)					31	0	
Tax and Payments	32 Payments: a 2004 overpayment credited to 2005	32a					
	b 2005 estimated tax payments	32b					
	c Less 2005 refund applied for on Form 4466	32c					
	d Bal	32d					
	e Tax deposited with Form 7004	32e					
	f Credits: (1) Form 2439 (2) Form 4136	32f				32g	
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>					33	
	34 Tax due. If line 32g is smaller than the total of lines 31 and 33, enter amount owed					34	0
	35 Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid					35	
	36 Enter amount of line 35 you want: Credited to 2006 estimated tax ▶ Refunded ▶					36	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

DONALD WILLIAMSON

9/14/06

TREASURER

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

THOMAS SMITH

Date

9/14/06

Check if self-employed ☐

Preparer's SSN or PTIN

P00226626

Firm's name (or yours if self-employed), address, and ZIP code

CPA FIRM**137 WEST MAIN STREET, ANYTOWN, NC 28041**EIN **43-6955656**Phone no. **(100) 6805500**

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	57386029
3	Cost of labor	3	322612092
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	41491378
6	Total. Add lines 1 through 5	6	432489499
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ►

b Check if there was a writedown of subnormal goods ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☒ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Total. Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members and certain FSCs		100	
12 Dividends from controlled foreign corporations (attach Form 8895)	15396347	85	15396347
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3	15396347		
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			15396347

Schedule E Compensation of Officers (see instructions for page 1, line 12)**Note:** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group <input type="checkbox"/>			
Important: Members of a controlled group, see instructions.				
2a	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):			
	(1) \$	(2) \$	(3) \$	
b	Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$			
	(2) Additional 3% tax (not more than \$100,000) \$			
3	Income tax. Check if a qualified personal service corporation (see instructions) <input type="checkbox"/>		3	
4	Alternative minimum tax (attach Form 4626)		4	
5	Add lines 3 and 4		5	
6a	Foreign tax credit (attach Form 1118)	6a		
b	Possessions tax credit (attach Form 5735)	6b		
c	Credits from: <input type="checkbox"/> Form 8834 <input type="checkbox"/> Form 8907, line 23	6c		
d	General business credit. Check box(es) and indicate which forms are attached: <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) ▶	6d		
e	Credit for prior year minimum tax (attach Form 8827)	6e		
f	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912	6f		
7	Total credits. Add lines 6a through 6f		7	
8	Subtract line 7 from line 5		8	
9	Personal holding company tax (attach Schedule PH (Form 1120))		9	
10	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		10	
11	Total tax. Add lines 8 through 10. Enter here and on page 1, line 31		11	

Schedule K Other Information (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash		7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?	
	b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶			If "Yes," enter: (a) Percentage owned ▶ 100	
2	See the instructions and enter the:			and (b) Owner's country ▶ FRANCE	
a	Business activity code no. ▶ 541511		c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶ 14	
b	Business activity ▶ COMPUTER SOFTWARE		8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>	
c	Product or service ▶ COMPUTER SOFTWARE			If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.	
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/>	9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ 0	
	If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ 1	
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	<input checked="" type="checkbox"/>	11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ <input checked="" type="checkbox"/>	
	If "Yes," enter name and EIN of the parent corporation ▶			If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3) must be attached or the election will not be valid.	
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/>	12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ 0	
	If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶ 100		13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?	<input checked="" type="checkbox"/>
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)	<input checked="" type="checkbox"/>		If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$	
	If "Yes," file Form 5452, Corporate Report of Nondividend Distributions.				
	If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.				

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		31620		95868
2a	Trade notes and accounts receivable	947655		9879329	
b	Less allowance for bad debts	()	947655	()	879329
3	Inventories		1599455		1627193
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)		331		
6	Other current assets (attach schedule)		13794		1500
7	Loans to shareholders				12345
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	828075		835467	
b	Less accumulated depreciation	(590772)	237303	(617806)	217661
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	25000		25000	
b	Less accumulated amortization	(1667)	23333	(3334)	21666
14	Other assets (attach schedule)		9460		7259
15	Total assets		2862951		2862791
Liabilities and Shareholders' Equity					
16	Accounts payable		788111		802904
17	Mortgages, notes, bonds payable in less than 1 year		155000		75220
18	Other current liabilities (attach schedule)		245672		195854
19	Loans from shareholders		286071		243197
20	Mortgages, notes, bonds payable in 1 year or more		123591		124986
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	1000	1000	1000	1000
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)		1263506		149630
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)		()		()
27	Less cost of treasury stock				
28	Total liabilities and shareholders' equity		2862951		2862791

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)

1	Net income (loss) per books	156124	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	91343		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Charitable contributions \$		b	Charitable contributions \$	
c	Travel and entertainment \$ 24830				
	4865	29695			
6	Add lines 1 through 5	277162	9	Add lines 7 and 8	0
			10	Income (page 1, line 28)—line 6 less line 9	277162

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	1263506	5	Distributions: a Cash	
2	Net income (loss) per books	156124		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	1419630	8	Balance at end of year (line 4 less line 7)	1419630



Form **7004**
(Rev. December 2005)
Department of the Treasury
Internal Revenue Service

Application for Automatic 6-Month Extension of Time To File Certain Business Income Tax, Information, and Other Returns

OMB No. 1545-0233

► File a separate application for each return.

Type or Print

File by the due date for the return for which an extension is requested. See instructions.

Name WORKING HARD INC INCORPORATED	Taxpayer identification number 110000007
Number, street, and room or suite no. If P.O. box, see instructions. 37 ANY STREET	
City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code)). ANYTOWN, NC 28041-0280	

Caution: Carefully complete all items. Incorrect information may cause delay or rejection.

- 1 Enter only one code for type of return that this automatic 6-month extension is for (see below) **1 2**
- 2 If the foreign corporation does not have an office or place of business in the United States, check here . . . ► ☐
- 3 If the organization qualifies under Regulations section 1.6081-5 (see instructions), check here ► ☐
- 4a For calendar year 20 **05**, or other tax year beginning, 20, and ending, 20
- b **Short tax year.** If this tax year is less than 12 months, check the reason:
☐ Initial return ☐ Final return ☐ Change in accounting period ☐ Consolidated return to be filed
- 5 If the organization is a corporation and is the common parent of a group that intends to file consolidated, check here . ► ☐
Also, you must attach a schedule, listing the name, address, and EIN for each member covered by this extension.
- | | | |
|---|---|-----------------|
| 6 Tentative total tax (see instructions) | 6 | -8073003 |
| 7 Total payments and credits (see instructions) | 7 | 0 |
| 8 Balance due. Subtract line 7 from line 6. Generally, you must deposit this amount using the Electronic Federal Tax Payment System (EFTPS), a Federal Tax Deposit (FTD) Coupon, or Electronic Funds Withdrawal (EFW) (see instructions for exceptions) | 8 | 0 |

Extension Is For:	Form Code	Extension Is For:	Form Code
Form 706-GS(D)	01	Form 1120-L	18
Form 706-GS(T)	02	Form 1120-ND	19
Form 990-C	03	Form 1120-ND (section 4951 taxes)	20
Form 1041 (estate)	04	Form 1120-PC	21
Form 1041 (trust)	05	Form 1120-POL	22
Form 1041-N	06	Form 1120-REIT	23
Form 1041-QFT	07	Form 1120-RIC	24
Form 1042	08	Form 1120-S	25
Form 1065	09	Form 1120-SF	26
Form 1065-B	10	Form 3520-A	27
Form 1066	11	Form 8612	28
Form 1120	12	Form 8613	29
Form 1120 (subchapter T cooperative)	13	Form 8725	30
Form 1120-A	14	Form 8804	31
Form 1120-F	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33
Form 1120-H	17		

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 13804A

Form **7004** (Rev. 12-2005)